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WEEKLY COMMENTARY

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The Markets

Here, there, and everywhere...

Markets around the world appear to be benefitting from global economic recovery.

After pointing out the United States' economy is the heart of the global financial system, *Barron's* reported:

"The Standard & Poor's 500 index has tirelessly amassed 30 record closes this year, but is up just 1.2 percent since March 1. Meanwhile, nearly every foreign stock market has sprinted ahead... We wrote on March 25 about how a global recovery should goose smaller, fresher bull markets abroad. By now, it is firmly becoming the consensus view – metals are rallying, with copper up 18 percent this year; the MSCI All Worlds Index has risen for eight straight months."

Emerging markets haven't performed too shabbily either. Through the end of last week, the MSCI Emerging Markets Index was up 22.88 percent year-to-date. *Franklin Templeton's* Mark Mobius wrote improved performance in emerging markets is the result of "...encouraging economic data in China, investor inflows, and corporate earnings growth."

So, global stock markets have been delivering relatively robust performance this year.

What have bonds been up to? They've gained value year-to-date, too.

Bond markets continue to tell a different story than stock markets. The Federal Reserve raised its benchmark interest rate for the third time in June. In theory, interest rates should be moving higher, yet the yield on 10-year Treasury bonds was lower (2.19 percent) at the end of last week than it was at the start of the year (2.45 percent).

Data as of 8/18/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.7%	8.3%	10.9%	7.2%	11.3%	5.3%
Dow Jones Global ex-U.S.	0.3	15.4	12.5	0.2	4.8	-0.1
10-year Treasury Note (Yield Only)	2.2	NA	1.5	2.4	1.8	4.6
Gold (per ounce)	0.8	11.8	-4.0	0.0	-4.3	7.0
Bloomberg Commodity Index	-0.6	-4.9	-4.1	-12.7	-10.4	-6.4
DJ Equity All REIT Total Return Index	0.3	4.1	-0.8	7.6	9.5	6.5

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HAVE YOU TRIED TACO MODE? In March, the *Harvard Business Review* (*HBR*) offered some ideas about innovation in America. It's a topic that deserves some attention as "...recent data suggests that innovation is getting harder and the pace of growth is slowing down. A major challenge in business and policy spheres is to understand the environments that are most conducive to innovation."

One place to look for examples of innovation is the sharing economy where innovations often echo the late 1800s. Back then, according to *HBR*, innovation primarily occurred outside of companies. In contrast, today, the majority of patents go to inventors who are associated with companies.

Let's take a look at a couple recent ideas that may or may not gain traction:

- **Taco Mode.** Ridesharing – arranging for a ride via an app – has changed transportation and become one of the

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industry's fastest growing market segments, according to data from *Statista* reported by *TechCrunch.com*.

The latest rideshare innovation is Taco Mode. Hungry passengers can request rides that include stops at a fast food chain drive-throughs. One company executive described the option as 'inverse delivery.' The hungry are delivered to the food rather than vice versa.

- **Just-in-time watch rentals.** The demand for Swiss watches has fallen off in the United States. The Federation of the Swiss Watch Industry reported exports to the United States dropped steadily (-9.6 percent) between 2015 and June 2017.

Could the culprit be luxury watch rentals? *Barron's Penta* reported luxury watch rentals are a relatively recent sharing-economy innovation. For a monthly membership fee of \$149 to \$999, watch lovers have opportunities to "...access experiences and embark on journeys otherwise unattainable – without having to spend a major chunk of their savings."

- **Neighborhood networks.** It's a straightforward concept: A social network that connects neighbors so they can share tools, leftovers, playgroups, and more. It's big in Brazil, according to *Forbes*. One company has more than 140,000 registered users across 3,800 cities.

But, anyone who has ever watched Homer Simpson borrow Ned Flanders' tools and not return them understands why some aspects of this idea may not catch on.

What innovations would you like to see in the sharing economy?

Weekly Focus – Think About It

"One word sums up our country's achievements: miraculous. From a standing start 240 years ago – a span of time less than triple my days on earth – Americans have combined human ingenuity, a market system, a tide of talented and ambitious immigrants, and the rule of law to deliver abundance beyond any dreams of our forefathers." — *Warren Buffett, Oracle of Omaha*

Sincerely for the firm,

Kerrick W. Bubb

President, KWB Wealth Managers Group
LPL Registered Principal

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

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* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* You cannot invest directly in an index.

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